



FIXED ASSET ACCOUNTING AND MANAGEMENT PROCEDURES MANUAL

APPENDIX A

Glossary

Acquisition	The process by which the City comes into possession and ownership of a fixed asset, e.g., purchase, donation, construction, eminent domain, foreclosure.
Acquisition Cost	The total cost of obtaining a fixed asset and putting it in place and in condition for use. This cost will be recorded in the FAMS, representing the value of the asset when it was acquired. The acquisition cost is generally the historical or original cost but may be based on a different valuation for certain types of transactions.
AICPA	American Institute of Certified Public Accountants.
APB	Accounting Principles Board of the AICPA.
Assets	Materials, property, claims against others, and other items of value belonging to the City. Fixed assets are a specific type of asset within this broad category. Inventories of supplies and materials are another separate category of assets.
Book Value	The portion of an asset's historical or original cost not yet depreciated or used. Book value can be calculated by subtracting accumulated depreciation from the historical or original cost of the asset.
CAFR	Comprehensive Annual Financial Report. The City's annual financial report issued by the City Controller.
Capital Asset	Any fixed asset with an original cost equal to or greater than \$5,000. These items have significant value and will be capitalized.
Capital Leases	Leases of assets that are deemed to be, essentially, purchases financed over a period of time and that are capitalized as fixed assets rather than having their lease payments charged as current-period costs.
Capitalization	The process by which fixed assets are established in both the fixed asset records and the accounting system. The accounting aspect of capitalization usually entails reclassifying amounts previously recorded as expenses, expenditures, or construction in progress into a fixed asset category. Capitalized assets are equal to or greater than \$5,000.



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Capitalized Interest	Interest on long-term debt financing for CIP projects, incurred during the construction period, that is capitalized as a part of the total acquisition costs of the resulting fixed asset.
CFR	<i>Code of Federal Regulations.</i>
CIP	Capital Improvements Program. The City's 5-year major capital projects program, which is rebudgeted each year based on City Council approval.
City Property	All property owned by the City, whether purchased, leased, confiscated, donated, received by eminent domain, constructed, or annexed. City properties may include supplies, real property to be sold for delinquent taxes, police property, lost and found items, scrap materials for recycling, capital assets, and controlled items.
Codification	<i>Codification of Governmental Accounting and Financial Reporting Standards.</i> A publication issued by the GASB.
Construction in Progress	A fixed asset category containing the accumulated dollar amounts of construction and other costs of CIP projects that are only partially completed. Once a project is completed, its costs are capitalized and reclassified from construction in progress to other fixed asset categories, e.g., land, improvements, buildings.
Contract Administrator	The individual responsible for managing a City procurement contract under which a fixed asset is acquired; typically, a buyer or administrator of the acquiring department.
Controlled Item	A property item that meets the criteria for a fixed asset but with a value less than \$5,000 and equal to or greater than \$1,000. These items will be subject to management control.
Custodial Organization	The City organization given possession, use, control, and responsibility for a fixed asset.
Depreciation	An amount charged against the historical cost of an asset representing the loss in value of the original asset as it is used and ages. Depreciation reduces the accounting value of an asset and is accumulated over the estimated life of the asset.



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DFAC	Department Fixed Asset Coordinator. The individual in each department assigned the responsibility for coordinating and monitoring all FAMS transactions and records.
Disposition	The process by which the City relinquishes possession and ownership of a fixed asset, e.g., sale, trade-in, salvage, scrap, donation.
DPU	Department Purchasing Unit.
DVC	Department Vehicle Coordinator.
Estimated Cost	Professional (certified) appraisals of the cost of an asset; used in those instances where historical cost records are not available. The estimated cost is determined by inventorying existing assets. When required, the estimated cost will be used as the acquisition cost.
Fair Market Value	The price at which a willing seller would sell something to a willing buyer, neither being under any compulsion to buy or sell. This is the price that would be paid for an item in a condemnation proceeding.
FAMS	Fixed Asset Management System (City of Houston).
FASB	Financial Accounting Standards Board. An independent professional accounting resource organization.
Fiscal Year	References to annual budgets, expenditures, reports, etc., generally refer to the City's fiscal year of July 1 through June 30.
Fixed Asset	Items of property that are tangible in nature; have significant value; have an economic useful life longer than 1 year; maintain their identities, either as separate entities or as identifiable components; are not repair parts or supply items; and are used in the conduct of City activities.
Fixed Asset Control Group	The City personnel responsible for the establishment, maintenance, and reporting of the primary fixed asset records for a particular class of assets. For most classes of fixed assets, this responsibility is assigned to the DFACs.
FMS	Financial Management System. The City's financial accounting and reporting system.



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Fully Depreciated	A fixed asset that has been depreciated down to its predetermined salvage value, which is normally \$0 for City assets, but can also be a positive dollar amount. Assets may continue in use for some time after being fully depreciated before actual disposition takes place.
Funding Source	As used in this manual, the revenue or equity source for financing the acquisition of fixed assets, e.g., operating budget funding, grant funds, bond funds, donations.
GAAFR	<i>Governmental Accounting, Auditing and Financial Reporting</i> . A publication of the GFOA that recommends accounting and reporting practices for governments.
GAAP	Generally Accepted Accounting Principles.
GASB	Governmental Accounting Standards Board. An independent professional accounting resource organization.
GFAAG	General Fixed Asset Account Group. An account group in which fixed assets of governmental funds, such as the general fund, are recorded. Asset values are matched by equal amounts in investment-by-source accounts showing the sources of funding for the asset acquisitions. The GFAAG is not considered a fund in government accounting.
GFOA	Government Finance Officers Association.
Governmental Funds	Funds financed by taxes, public improvement bonds, government fees, and other government revenues. Neither depreciation expenses nor gains or losses on disposal of assets are recorded in fixed asset accounting for governmental funds.
Historical Cost	Also, <i>Original Cost</i> . The actual amount paid for an asset at the date of acquisition, including any normal costs associated with preparing the asset for use. In the case of most new assets, particularly machinery and equipment, this is the acquisition cost.



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Infrastructure	Long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include, but are not limited to, roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.
NCGA	National Council on Governmental Accounting. An independent professional accounting resource organization.
Net Book Value	The acquisition cost of a fixed asset less accumulated depreciation to date.
OMB	Office of Management and Budget.
Original Cost	See <i>Historical Cost</i> .
Parent-Child Relationship	The association of a smaller component or addition that qualifies as a fixed asset in itself with a larger fixed asset (e.g., associating an elevator system with the building in which it is located).
Personal Property	All tangible property other than real estate, such as furniture, fixtures, movable equipment, materials, and supplies.
Proprietary Funds	Enterprise funds and internal service funds that use accounting practices similar to those of private businesses. Fixed asset accounting for proprietary funds involves recording depreciation expenses and measuring gains or losses on disposals of assets.
RCA	Request for Council Action.
Real Estate	In legal terminology, land and everything attached to it; also, interests in land above and below ground. As used in the FAMS, real estate includes land, land improvements, and buildings.
Real Property	All real estate assets, including land, buildings, and improvements to land or buildings. In legal terminology, land and items growing on, permanently erected on, or affixed to the land; also, rights to use land.



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Replacement Cost	The estimated cost of acquiring a new equivalent asset. Replacement cost may be approximated through the use of a specific price index. For example, a building constructed in 1940 for \$200,000 would cost considerably more to rebuild today. Therefore, replacement cost will usually be higher than the original cost (personal computers may be an exception).
Retirement	A type of disposition involving a fully depreciated asset, either by sale, trade-in, salvage, or scrap.
Rolling Stock	As used in the FAMS, rolling stock includes all types of wheeled or tracked vehicles, whether on-road or off-road, powered or nonpowered.
SFAS	<i>Statement of Financial Accounting Standards</i> . One of a series of pronouncements issued by the FASB.
Vehicles	As used in the FAMS, all types of equipment used in transporting people or materials, including rolling stock, vehicle attachments, aircraft, and boats.
VMIS	The Fleet Management Vehicle Management Information System. Used to maintain the central operating and maintenance records for the City's rolling stock assets.